January 22, 2019

Prologis Reports Fourth Quarter and Full Year 2018 Earnings Results

SAN FRANCISCO, Jan. 22, 2019 /PRNewswire/ -- Prologis, Inc. (NYSE: PLD), the global leader in logistics real estate, today reported results for the fourth quarter and full year 2018.

Net earnings per diluted share was $0.94 for the quarter and $2.87 for the year compared with $0.55 and $3.06 for the same periods in 2017.

Core funds from operations (Core FFO)* per diluted share was $0.80 for the quarter (including $0.05 of net promote income) compared with $0.67 for the same quarter in 2017. For the full year 2018, Core FFO was $3.03 compared with $2.81 for the same period in 2017. Further, Core FFO for full-year periods 2018 and 2017 included net promote income of $0.14 and $0.16 per diluted share, respectively.

"We had a great fourth quarter, capping out our strongest year ever," said Hamid R. Moghadam, chairman and CEO, Prologis. "The occupancy and the utilization of our buildings are running at peak levels and we expect activity to remain strong, with our most dynamic customers building out new-and-improved logistics networks."

STRONG OPERATING RESULTS DRIVEN BY HIGH-QUALITY, WELL-LOCATED PORTFOLIO

Owned & Managed	**4Q18**	**4Q17**	**Notes**
Period End Occupancy	97.5%	97.2%	*Europe at 98.0%*
Leases Commenced	35 MSF	35 MSF	*Average lease term in the quarter was a record 83 months*

Prologis Share	**4Q18**	**4Q17**	**Notes**
Net Effective Rent Change	25.6%	23.5%	*Record globally and for the U.S. at 33.1%*
Cash Rent Change	10.8%	12.7%	*Led by U.S. at 16.3%*
Cash Same Store NOI*	4.5%	5.1%	*Led by U.S. at 5.9%*

ACTIVE CAPITAL DEPLOYMENT MARKED COMPLETION OF MULTI-YEAR DISPOSITION STRATEGY

Prologis Share	4Q18	FY2018
Building Acquisitions	$320M	$511M[1]
Weighted avg stabilized cap rate	5.1%	5.0%
Development Stabilizations	$551M	$1,873M
Estimated weighted avg yield	6.2%	6.5%
Estimated weighted avg margin	33.7%	35.3%
Estimated value creation	$185M	$661M
Development Starts	$930M	$2,471M
Estimated weighted avg margin	19.0%	19.5%
Estimated value creation	$177M	$482M
% Build-to-suit	42.3%	39.5%
Total Dispositions and Contributions	$1,114M	$2,634M
Weighted avg stabilized cap rate *(excluding land and other real estate)*	5.3%	5.2%

1. Excludes the acquisition of DCT Industrial Trust

WELL-POSITIONED WITH BEST-IN-CLASS BALANCE SHEET

During the fourth quarter, Prologis and its co-investment ventures completed $1.4 billion of refinancings with a weighted average rate of 2.3% and term of 7.7 years. The company ended the year with leverage of 25.0% on a market capitalization basis and debt-to-adjusted EBITDA* of 4.2x. As previously announced and subsequent to quarter end, the company recast and upsized its global line of credit, bringing its total liquidity to $4.0 billion.

COMPANY ESTABLISHES 2019 EARNINGS GUIDANCE RANGES

The company established a guidance range for net earnings per diluted share of $1.77 to $1.92 and a range for Core FFO* per diluted share of $3.12 to $3.20, which includes $0.10 of net promote income.

"At the midpoint of our range, we project Core FFO growth of approximately 7.5%, excluding promotes," said Thomas S. Olinger, chief financial officer, Prologis. "Cash Same Store NOI growth is projected to be 4.25% at the midpoint, reflecting our current operating strategy of favoring rent growth over occupancy."

Olinger added, "We are confident in our ability to outperform in any future environment given our embedded rent upside, development-ready land bank and significant liquidity."

2019 GUIDANCE

Earnings (per diluted share)

Net Earnings	$1.77 to $1.92	***Our guidance reflects the adoption of the new lease accounting standard. For a year-over-year comparison, our 2018 earnings results would have been reduced by approximately $0.04 per share.***
Core FFO*	$3.12 to $3.20	

Operations

Year-end occupancy	96.0% to 97.5%
Cash Same Store NOI – Prologis share*	3.75% to 4.75%

Other Assumptions (in millions)

Strategic capital revenue, excl. promote revenue	$300 to $310
Net promote income, incl in Core FFO* range	$65
General & administrative expenses	$240 to $250
Realized development gains	$200 to $250

Capital Deployment (Prologis Share, in millions)	Prologis Share	Owned and Managed
Development stabilizations	$1,900 to $2,200	$2,400 to $2,700
Development starts	$1,600 to $2,000	$2,000 to $2,500
Building acquisitions	$300 to $500	$700 to $1,000
Building and land dispositions	$500 to $800	$600 to $900
Building contributions	$1,000 to $1,300	$1,300 to $1,700

*This is a non-GAAP financial measure. See the Notes and Definitions in our supplemental information for further explanation and a reconciliation to the most directly comparable GAAP measure.

The earnings guidance described above includes potential gains recognized from real estate transactions but excludes any foreign currency or derivative gains or losses as these items are difficult to predict. In reconciling from net earnings to Core FFO*, Prologis makes certain adjustments, including but not limited to real estate depreciation and amortization expense, gains (losses) recognized from real estate transactions and early extinguishment of debt, impairment charges, deferred taxes and unrealized gains or losses on foreign currency or derivative activity. The difference between the company's Core FFO* and net earnings guidance for 2019 relates predominantly to these items. Please refer to our fourth quarter Supplemental Information, which is available on our Investor Relations website at www.ir.prologis.com and on the SEC's website atwww.sec.gov for a definition of Core FFO* and other non-GAAP measures used by Prologis, along with reconciliations of these items to the closest GAAP measure for our results and guidance.

WEBCAST & CONFERENCE CALL INFORMATION

Prologis will host a live webcast and conference call to discuss quarterly results, current market conditions and future outlook. Here are the event details:

- Tuesday, January 22, 2019, at 12 p.m. U.S. Eastern time.
- Live webcast at http://ir.prologis.com by clicking Events & Presentations.
- Dial in: +1 (866) 393-4306 (toll-free from the United States and Canada) or +1 (734) 385-2616 (from all other countries) and enter Passcode 4659788.

A telephonic replay will be available January 22-29 at +1 (855) 859-2056 (from the United States and Canada) or +1 (404) 537-3406 (from all other countries) using conference code 4659788. The webcast replay will be posted when available in the Investor Relations "Events & Presentations" section.

ABOUT PROLOGIS

Prologis, Inc. is the global leader in logistics real estate with a focus on high-barrier, high-growth markets. As of December 31, 2018, the company owned or had investments in, on a wholly owned basis or through co-investment ventures, properties and development projects expected to total approximately 768 million square feet (71 million square meters) in 19 countries. Prologis leases modern distribution facilities to a diverse base of approximately 5,100 customers across two major categories: business-to-business and retail/online fulfillment.

FORWARD-LOOKING STATEMENTS

The statements in this document that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on current expectations, estimates and projections about the industry and markets in which we operate as well as management's beliefs and assumptions. Such statements involve uncertainties that could significantly impact our financial results. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," and "estimates," including variations of such words and similar expressions, are intended to identify such forward-looking statements, which generally are not historical in nature. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future — including statements relating to rent and occupancy growth, development activity, contribution and disposition activity, general conditions in the geographic areas where we operate, our debt, capital structure and financial position, our ability to form new co-investment ventures and the availability of capital in existing or new co-investment ventures — are forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be attained and, therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Some of the factors that may affect outcomes and results include, but are not limited to: (i) national, international, regional and local economic and political climates; (ii) changes in global financial markets, interest rates and foreign currency exchange rates; (iii) increased or unanticipated competition for our properties; (iv) risks associated with acquisitions, dispositions and development of properties; (v) maintenance of real estate investment trust status, tax structuring and changes in income tax laws and rates; (vi) availability of financing and capital, the levels of debt that we maintain and our credit ratings; (vii) risks related to our investments in our co-investment ventures, including our ability to establish new co-investment ventures; (viii) risks of doing business internationally, including currency risks; (ix) environmental uncertainties, including risks of natural disasters; and (x) those additional factors discussed in reports filed with the Securities and Exchange Commission by us under the heading "Risk Factors." We undertake no duty to update any forward-looking statements appearing in this document except as may be required by law.

dollars in millions, except per share/unit data	Three Months ended December 31,		Twelve Months ended December 31,	
	2018	2017	2018	2017
Rental and other revenues	$ 681	$ 552	$ 2,398	$ 2,244
Strategic capital revenues	126	68	406	374
Total revenues	807	620	2,804	2,618
Net earnings attributable to common stockholders	597	296	1,643	1,642
Core FFO attributable to common stockholders/unitholders*	526	373	1,788	1,551
AFFO attributable to common stockholders/unitholders*	568	385	1,992	1,597
Adjusted EBITDA attributable to common stockholders*	793	584	2,798	2,398
Estimated value creation from development stabilizations - Prologis Share	185	152	661	583
Common stock dividends and common limited partnership unit distributions	314	243	1,163	973
Per common share - diluted:				
Net earnings attributable to common stockholders	$0.94	$0.55	$ 2.87	$3.06
Core FFO attributable to common stockholders/unitholders*	0.80	0.67	3.03	2.81
Business line reporting:				
Real estate operations*	0.68	0.61	2.65	2.40
Strategic capital*	0.12	0.06	0.38	0.41
*Core FFO attributable to common stockholders/unitholders**	*0.80*	*0.67*	3.03	*2.81*
Realized development gains, net of taxes*	0.21	0.15	0.77	0.56
Dividends and distributions per common share/unit	0.48	0.44	1.92	1.76

** This is a non-GAAP financial measure, please see below for further explanation.*

in thousands	December 31, 2018	September 30, 2018	December 31, 2017
Assets:			
Investments in real estate properties:			
Operating properties	$ 30,632,155	$ 30,473,036	$ 22,585,327
Development portfolio	2,142,801	2,010,046	1,593,489
Land	1,192,220	1,264,815	1,154,383
Other real estate investments	619,811	537,886	505,445
	34,586,987	34,285,783	25,838,644
Less accumulated depreciation	4,656,680	4,451,434	4,059,348
Net investments in real estate properties	29,930,307	29,834,349	21,779,296
Investments in and advances to unconsolidated entities	5,745,294	5,618,178	5,496,450
Assets held for sale or contribution	622,288	761,575	342,060
Notes receivable backed by real estate	-	-	34,260
Net investments in real estate	36,297,889	36,214,102	27,652,066
Cash and cash equivalents	343,856	275,562	447,046
Other assets	1,775,919	1,778,498	1,381,963
Total assets	**$ 38,417,664**	**$ 38,268,162**	**$ 29,481,075**
Liabilities and Equity:			
Liabilities:			
Debt	$ 11,089,815	$ 11,232,129	$ 9,412,631
Accounts payable, accrued expenses and other liabilities	1,526,961	1,598,378	1,362,703
Total liabilities	12,616,776	12,830,507	10,775,334
Equity:			
Stockholders' equity	22,298,093	22,030,599	15,631,158
Noncontrolling interests	2,836,469	2,743,408	2,660,242
Noncontrolling interests - limited partnership unitholders	666,326	663,648	414,341
Total equity	25,800,888	25,437,655	18,705,741
Total liabilities and equity	**$ 38,417,664**	**$ 38,268,162**	**$ 29,481,075**

in thousands, except per share amounts	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	2017	2018	2017
Revenues:				
Rental	$ 679,195	$ 550,649	$ 2,388,791	$ 2,225,141
Strategic capital	126,500	68,148	406,300	373,889
Development management and other	1,390	1,125	9,358	19,104
Total revenues	807,085	619,922	2,804,449	2,618,134
Expenses:				
Rental	177,194	140,338	600,648	569,523
Strategic capital	42,940	35,360	157,040	155,141
General and administrative	56,698	59,709	238,985	231,059
Depreciation and amortization	286,758	222,501	947,214	879,140
Other	2,415	3,597	13,560	12,205
Total expenses	566,005	461,505	1,957,447	1,847,068
Operating income	**241,080**	**158,417**	**847,002**	**771,066**
Other income (expense):				
Earnings from unconsolidated co-investment ventures, net	114,187	73,768	279,170	234,168
Earnings from other unconsolidated ventures, net	2,234	2,532	19,090	14,399
Interest expense	(62,380)	(62,030)	(229,141)	(274,486)
Gains on dispositions of development properties and land, net	140,531	91,794	469,817	327,528
Gains on dispositions of real estate, net (excluding development properties and land)	217,035	131,787	371,179	855,437
Foreign currency and derivative gains (losses) and interest and other income, net	56,450	(7,331)	131,759	(44,165)
Gains (losses) on early extinguishment of debt, net	71	(37,783)	(2,586)	(68,379)
Total other income	468,128	192,737	1,039,288	1,044,502
Earnings before income taxes	709,208	351,154	1,886,290	1,815,568
Current income tax expense	(16,191)	(17,089)	(61,882)	(59,614)
Deferred income tax benefit (expense)	(2,527)	4,808	(1,448)	5,005
Consolidated net earnings	690,490	338,873	1,822,960	1,760,959
Net earnings attributable to noncontrolling interests	(74,508)	(30,086)	(124,712)	(63,620)
Net earnings attributable to noncontrolling interests - limited partnership units	(17,922)	(7,901)	(48,887)	(45,014)
Net earnings attributable to controlling interests	598,060	300,886	1,649,361	1,652,325
Preferred stock dividends	(1,492)	(1,476)	(5,935)	(6,499)
Loss on preferred stock repurchase	-	(3,895)	-	(3,895)
Net earnings attributable to common stockholders	**$ 596,568**	**$ 295,515**	**$ 1,643,426**	**$ 1,641,931**
Weighted average common shares outstanding - Diluted	654,579	554,401	590,239	552,300
Net earnings per share attributable to common stockholders - Diluted	**$ 0.94**	**$ 0.55**	**$ 2.87**	**$ 3.06**

in thousands	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	2017	2018	2017
Net earnings attributable to common stockholders	$ 596,568	$ 295,515	$ 1,643,426	$ 1,641,931
Add (deduct) NAREIT defined adjustments:				
Real estate related depreciation and amortization	277,977	214,292	912,781	847,516
Gains on dispositions of real estate, net (excluding development properties and land)	(217,035)	(131,787)	(371,179)	(855,437)
Reconciling items related to noncontrolling interests	56,213	1,661	23,081	(38,972)
Our share of reconciling items related to unconsolidated co-investment ventures	(19,088)	38,076	133,128	140,712
Our share of reconciling items related to other unconsolidated ventures	3,293	1,728	8,623	6,759
Subtotal-NAREIT defined FFO attributable to common stockholders/unitholders*	**$ 697,928**	**$ 419,485**	**$ 2,349,860**	**$ 1,742,509**
Add (deduct) our defined adjustments:				
Unrealized foreign currency and derivative losses (gains), net	(47,121)	13,563	(120,397)	69,363
Deferred income tax expense (benefit)	2,527	(4,808)	1,448	(5,005)
Current income tax expense on dispositions related to acquired tax assets	297	2,241	1,175	2,331
Reconciling items related to noncontrolling interests	(309)	1	(191)	(8)
Our share of reconciling items related to unconsolidated co-investment ventures	(3,242)	(12,236)	(263)	(14,677)
FFO, as modified by Prologis attributable to common stockholders/unitholders*	**$ 650,080**	**$ 418,246**	**$ 2,231,632**	**$ 1,794,513**
Adjustments to arrive at Core FFO attributable to common stockholders/unitholders*:				
Gains on dispositions of development properties and land, net	(140,531)	(91,794)	(469,817)	(327,528)
Current income tax expense on dispositions	3,504	6,529	17,085	19,102
Losses (gains) on early extinguishment of debt and preferred stock repurchase, net	(71)	41,678	2,586	72,274
Reconciling items related to noncontrolling interests	916	297	6,183	(390)
Our share of reconciling items related to unconsolidated co-investment ventures	12,723	(33)	13,946	(224)
Our share of reconciling items related to other unconsolidated ventures	(301)	(1,656)	(13,467)	(6,594)
Core FFO attributable to common stockholders/unitholders*	**$ 526,321**	**$ 373,267**	**$ 1,788,149**	**$ 1,551,153**
Adjustments to arrive at Adjusted FFO ("AFFO") attributable to common stockholders/unitholders*, including our share of unconsolidated ventures less noncontrolling interest:				
Gains on dispositions of development properties and land, net	140,531	91,794	469,817	327,528
Current income tax expense on dispositions	(3,504)	(6,529)	(17,085)	(19,102)
Straight-lined rents and amortization of lease intangibles	(21,566)	(14,788)	(66,938)	(81,021)
Property improvements	(30,483)	(33,992)	(90,345)	(84,022)
Turnover costs	(43,674)	(37,813)	(134,868)	(153,255)
Amortization of debt discount (premium), financing costs and management contracts, net	4,428	2,853	14,112	3,845
Stock compensation expense	18,064	18,549	76,093	76,640
Reconciling items related to noncontrolling interests	6,747	9,563	21,225	35,820
Our share of reconciling items related to unconsolidated ventures	(28,670)	(17,662)	(67,906)	(60,594)
AFFO attributable to common stockholders/unitholders*	**$ 568,192**	**$ 385,242**	**$ 1,992,252**	**$ 1,596,992**

** This is a non-GAAP financial measure, please see below for further explanation.*

in thousands	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	**2017**	**2018**	**2017**
Net earnings attributable to common stockholders	$ 596,568	$ 295,515	$ 1,643,426	$ 1,641,931
Gains on dispositions of real estate, net (excluding development properties and land)	(217,035)	(131,787)	(371,179)	(855,437)
Depreciation and amortization expenses	286,758	222,501	947,214	879,140
Interest expense	62,380	62,030	229,141	274,486
Losses (gains) on early extinguishment of debt, net	(71)	37,783	2,586	68,379
Current and deferred income tax expense, net	18,718	12,281	63,330	54,609
Net earnings attributable to noncontrolling interests - limited partnership unitholders	17,922	7,901	48,887	45,014
Pro forma adjustments	464	(2,777)	59,124	11,828
Preferred stock dividends and repurchase	1,492	5,371	5,935	10,394
Unrealized foreign currency and derivative losses (gains), net	(47,121)	13,563	(120,397)	69,363
Stock compensation expense	18,064	18,549	76,093	76,640
Adjusted EBITDA, consolidated*	**$ 738,139**	**$ 540,930**	**$ 2,584,160**	**$ 2,276,347**
Reconciling items related to noncontrolling interests	38,993	(6,785)	(27,216)	(90,893)
Our share of reconciling items related to unconsolidated ventures	15,498	49,658	240,730	212,190
Adjusted EBITDA attributable to common stockholders/unitholders*	**$ 792,630**	**$ 583,803**	**$ 2,797,674**	**$ 2,397,644**

** This is a non-GAAP financial measure, please see below for further explanation.*

Adjusted EBITDA. We use Adjusted EBITDA attributable to common stockholders/unitholders ("Adjusted EBITDA"), a non-GAAP financial measure, as a measure of our operating performance. The most directly comparable GAAP measure to Adjusted EBITDA is net earnings.

We calculate Adjusted EBITDA beginning with consolidated net earnings attributable to common stockholders and removing the effect of: interest expense, income taxes, depreciation and amortization, impairment charges, gains or losses from the disposition of investments in real estate (excluding development properties and land), gains from the revaluation of equity investments upon acquisition of a controlling interest, gains or losses on early extinguishment of debt and derivative contracts (including cash charges), similar adjustments we make to our FFO measures (see definition below), and other items, such as, stock based compensation and unrealized gains or losses on foreign currency and derivatives. We also include a pro forma adjustment to reflect a full period of NOI on the operating properties we acquire or stabilize during the quarter and to remove NOI on properties we dispose of during the quarter, assuming all transactions occurred at the beginning of the quarter. The pro forma adjustment also includes economic ownership changes in our ventures to reflect the full quarter at the new ownership percentage.

We believe Adjusted EBITDA provides investors relevant and useful information because it permits investors to view our operating performance, analyze our ability to meet interest payment obligations and make quarterly preferred stock dividends on an unleveraged basis before the effects of income tax, depreciation and amortization expense, gains and losses on the disposition of non-development properties and other items (outlined above), that affect comparability. While all items are not infrequent or unusual in nature, these items may result from market fluctuations that can have inconsistent effects on our results of operations. The economics underlying these items reflect market and financing conditions in the short-term but can obscure our performance and the value of our long-term investment decisions and strategies.

We calculate our Adjusted EBITDA, based on our proportionate ownership share of both our unconsolidated and consolidated ventures. We reflect our share of our Adjusted EBITDA measures for unconsolidated ventures by applying our average ownership percentage for the period to the applicable reconciling items on an entity by entity basis. We reflect our share for consolidated ventures in which we do not own 100% of the equity by adjusting our Adjusted EBITDA measures to remove the noncontrolling interests share of the applicable reconciling items based on our average ownership percentage for the applicable periods.

While we believe Adjusted EBITDA is an important measure, it should not be used alone because it excludes significant components of net earnings, such as our historical cash expenditures or future cash requirements for working capital, capital expenditures, distribution requirements, contractual commitments or interest and principal payments on our outstanding debt and is therefore limited as an analytical tool.

Our computation of Adjusted EBITDA may not be comparable to EBITDA reported by other companies in both the real estate industry and other industries. We compensate for the limitations of Adjusted EBITDA by providing investors with financial statements prepared according to GAAP, along with this detailed discussion of Adjusted EBITDA and a reconciliation to Adjusted EBITDA from consolidated net earnings attributable to common stockholders.

Business Line Reporting is a non-GAAP financial measure. Core FFO and development gains are generated by our three lines of business: (i) real estate operations; (ii) strategic capital; and (iii) development. The real estate operations line of business represents total Prologis Core FFO, less the amount allocated to the Strategic Capital line of business. The amount of Core FFO allocated to the Strategic Capital line of business represents the third party share of asset management, Net Promotes and transactional fees that we earn from our consolidated and unconsolidated co-investment ventures less costs directly associated to our strategic capital group. Realized development gains include our share of gains on dispositions of development properties and land, net of taxes. To calculate the per share amount, the amount generated by each line of business is divided by the weighted average diluted common shares outstanding used in our Core FFO per share calculation. Management believes evaluating our results by line of business is a useful supplemental measure of our operating performance because it helps the investing public compare the operating performance of Prologis' respective businesses to other companies' comparable businesses. Prologis' computation of FFO by line of business may not be comparable to that reported by other real estate investment trusts as they may use different methodologies in computing such measures.

Calculation of Per Share Amounts in thousands, except per share amount	Three Months Ended Dec. 31,		Twelve Months Ended Dec. 31,	
	2018	2017	2018	2017
Net earnings				
Net earnings attributable to common stockholders	$ 596,568	$ 295,515	$ 1,643,426	$ 1,641,931
Noncontrolling interest attributable to exchangeable limited partnership units	18,241	8,153	49,743	46,280
Adjusted net earnings attributable to common stockholders - Diluted	**$ 614,809**	**$ 303,668**	**$ 1,693,169**	**$ 1,688,211**
Weighted average common shares outstanding - Basic	628,956	531,478	567,367	530,400
Incremental weighted average effect on exchange of limited partnership units	19,759	15,336	17,768	15,945
Incremental weighted average effect of equity awards	5,864	7,587	5,104	5,955
Weighted average common shares outstanding - Diluted	**654,579**	**554,401**	**590,239**	**552,300**
Net earnings per share - Basic	**$ 0.95**	**$ 0.56**	**$ 2.90**	**$ 3.10**
Net earnings per share - Diluted	**$ 0.94**	**$ 0.55**	**$ 2.87**	**$ 3.06**
Core FFO				
Core FFO attributable to common stockholders/unitholders	$ 526,320	$ 373,267	$ 1,788,148	$ 1,551,153
Noncontrolling interest attributable to exchangeable limited partnership units	353	415	1,531	2,903
Core FFO attributable to common stockholders/unitholders - Diluted	**$ 526,673**	**$ 373,682**	**$ 1,789,679**	**$ 1,554,056**
Weighted average common shares outstanding - Basic	628,956	531,478	567,367	530,400
Incremental weighted average effect on exchange of limited partnership units	19,759	15,336	17,768	15,945
Incremental weighted average effect of equity awards	5,864	7,587	5,104	5,955
Weighted average common shares outstanding - Diluted	**654,579**	**554,401**	**590,239**	**552,300**
Core FFO per share - Diluted	**$ 0.80**	**$ 0.67**	**$ 3.03**	**$ 2.81**

Estimated Value Creation represents the value that we expect to create through our development and leasing activities. We calculate Estimated Value Creation by estimating the Stabilized NOI that the property will generate and applying a stabilized capitalization rate applicable to that property. Estimated Value Creation is calculated as the amount by which the value exceeds our TEI and does not include any fees or promotes we may earn. Estimated Value Creation for our Value-Added Properties that are sold includes the realized economic gain.

Estimated Weighted Average Margin is calculated on development properties as Estimated Value Creation, less estimated closing costs and taxes, if any, on properties expected to be sold or contributed, divided by TEI.

Estimated Weighted Average Stabilized Yield is calculated on development properties as Stabilized NOI divided by TEI.

FFO, as modified by Prologis attributable to common stockholders/unitholders ("FFO, as modified by Prologis"); Core FFO attributable to common stockholders/unitholders ("Core FFO"); AFFO attributable to common stockholders/unitholders ("AFFO"); (collectively referred to as "FFO"). FFO is a non-GAAP financial measure that is commonly used in the real estate industry. The most directly comparable GAAP measure to FFO is net earnings.

The National Association of Real Estate Investment Trusts ("NAREIT") defines FFO as earnings computed under GAAP to exclude historical cost depreciation and gains and losses from the sales, along with impairment charges, of previously depreciated properties. We also exclude the gains on revaluation of equity investments upon acquisition of a controlling interest and the gain recognized from a partial sale of our investment, as these are similar to gains from the sales of previously depreciated properties. We exclude similar adjustments from our unconsolidated entities and the third parties' share of our consolidated co-investment ventures.

Our FFO Measures

Our FFO measures begin with NAREIT's definition and we make certain adjustments to reflect our business and the way that management plans and executes our business strategy. While not infrequent or unusual, the additional items we adjust for in calculating *FFO, as modified by Prologis*, *Core FFO* and *AFFO*, as defined below, are subject to significant fluctuations from period to period. Although these items may have a material impact on our operations and are reflected in our financial statements, the removal of the effects of these items allows us to better understand the core operating performance of our properties over the long term. These items have both positive and negative short-term effects on our results of operations in inconsistent and unpredictable directions that are not relevant to our long-term outlook.

We calculate our FFO measures, as defined below, based on our proportionate ownership share of both our unconsolidated and consolidated ventures. We reflect our share of our FFO measures for unconsolidated ventures by applying our average ownership percentage for the period to the applicable reconciling items on an entity by entity basis. We reflect our share for consolidated ventures in which we do not own 100% of the equity by adjusting our FFO measures to remove the noncontrolling interests share of the applicable reconciling items based on our average ownership percentage for the applicable periods.

These FFO measures are used by management as supplemental financial measures of operating performance and we believe that it is important that stockholders, potential investors and financial analysts understand the measures management uses. We do not use our FFO measures as, nor should they be considered to be, alternatives to net earnings computed under GAAP, as indicators of our operating performance, as alternatives to cash from operating activities computed under GAAP or as indicators of our ability to fund our cash needs.

We analyze our operating performance principally by the rental revenues of our real estate and the revenues from our strategic capital business, net of operating, administrative and financing expenses. This income stream is not directly impacted by fluctuations in the market value of our investments in real estate or debt securities.

FFO, as modified by Prologis

To arrive at *FFO, as modified by Prologis*, we adjust the NAREIT defined FFO measure to exclude the impact of foreign currency related items and deferred tax, specifically:

(i) deferred income tax benefits and deferred income tax expenses recognized by our subsidiaries;
(ii) current income tax expense related to acquired tax liabilities that were recorded as deferred tax liabilities in an acquisition, to the extent the expense is offset with a deferred income tax benefit in earnings that is excluded from our defined FFO measure;
(iii) unhedged foreign currency exchange gains and losses resulting from debt transactions between us and our foreign consolidated subsidiaries and our foreign unconsolidated entities;
(iv) foreign currency exchange gains and losses from the remeasurement (based on current foreign currency exchange rates) of certain third party debt of our foreign consolidated and unconsolidated entities; and
(v) mark-to-market adjustments associated with derivative financial instruments.

We use FFO, as modified by Prologis, so that management, analysts and investors are able to evaluate our performance against other REITs that do not have similar operations or operations in jurisdictions outside the U.S.

Core FFO

In addition to *FFO, as modified by Prologis,* we also use Core FFO. To arrive at *Core FFO,* we adjust *FFO, as modified by Prologis*, to exclude the following recurring and nonrecurring items that we recognized directly in *FFO, as modified by Prologis*:

(i) gains or losses from the disposition of land and development properties that were developed with the intent to contribute or sell;
(ii) income tax expense related to the sale of investments in real estate;
(iii) impairment charges recognized related to our investments in real estate generally as a result of our change in intent to contribute or sell these properties;
(iv) gains or losses from the early extinguishment of debt and redemption and repurchase of preferred stock; and
(v) expenses related to natural disasters.

We use Core FFO, including by segment and region, to: (i) assess our operating performance as compared to other real estate companies; (ii) evaluate our performance and the performance of our properties in comparison with expected results and results of previous periods; (iii) evaluate the performance of our management; (iv) budget and forecast future results to assist in the allocation of resources; (v) provide guidance to the financial markets to understand our expected operating performance; and (vi) evaluate how a specific potential investment will impact our future results.

AFFO

To arrive at AFFO, we adjust Core FFO to include realized gains from the disposition of land and development properties and recurring capital expenditures and exclude the following items that we recognize directly in Core FFO:

(i) straight-line rents;
(ii) amortization of above- and below-market lease intangibles;
(iii) amortization of management contracts;
(iv) amortization of debt premiums and discounts and financing costs, net of amounts capitalized, and;
(v) stock compensation expense.

We use AFFO to (i) assess our operating performance as compared to other real estate companies, (ii) evaluate our performance and the performance of our properties in comparison with expected results and results of previous periods, (iii) evaluate the performance of our management, (iv) budget and forecast future results to assist in the allocation of resources, and (v) evaluate how a specific potential investment will impact our future results.

Limitations on the use of our FFO measures

While we believe our modified FFO measures are important supplemental measures, neither NAREIT's nor our measures of FFO should be used alone because they exclude significant economic components of net earnings computed under GAAP and are, therefore, limited as an analytical tool. Accordingly, these are only a few of the many measures we use when analyzing our business. Some of the limitations are:

- The current income tax expenses that are excluded from our modified FFO measures represent the taxes and transaction costs that are payable.
- Depreciation and amortization of real estate assets are economic costs that are excluded from FFO. FFO is limited, as it does not reflect the cash requirements that

may be necessary for future replacements of the real estate assets. Furthermore, the amortization of capital expenditures and leasing costs necessary to maintain the operating performance of logistics facilities are not reflected in FFO.

- Gains or losses from non-development property dispositions and impairment charges related to expected dispositions represent changes in value of the properties. By excluding these gains and losses, FFO does not capture realized changes in the value of disposed properties arising from changes in market conditions.
- The deferred income tax benefits and expenses that are excluded from our modified FFO measures result from the creation of a deferred income tax asset or liability that may have to be settled at some future point. Our modified FFO measures do not currently reflect any income or expense that may result from such settlement.
- The foreign currency exchange gains and losses that are excluded from our modified FFO measures are generally recognized based on movements in foreign currency exchange rates through a specific point in time. The ultimate settlement of our foreign currency-denominated net assets is indefinite as to timing and amount. Our FFO measures are limited in that they do not reflect the current period changes in these net assets that result from periodic foreign currency exchange rate movements.
- The gains and losses on extinguishment of debt or preferred stock that we exclude from our Core FFO, may provide a benefit or cost to us as we may be settling our obligation at less or more than our future obligation.
- The natural disaster expenses that we exclude from Core FFO are costs that we have incurred.

We compensate for these limitations by using our FFO measures only in conjunction with net earnings computed under GAAP when making our decisions. This information should be read with our complete Consolidated Financial Statements prepared under GAAP. To assist investors in compensating for these limitations, we reconcile our modified FFO measures to our net earnings computed under GAAP.

Guidance. The following is a reconciliation of our annual guided Net Earnings per share to our guided Core FFO per share:

	Low	High
Net Earnings	$ 1.77	$ 1.92
Our share of:		
Depreciation and amortization	1.95	1.98
Net gains on real estate transactions, net of taxes	(0.60)	(0.70)
Unrealized foreign currency gains and other, net	0.00	0.00
Core FFO	$ 3.12	$ 3.20

Prologis Share represents our proportionate economic ownership of each entity included in our total owned and managed portfolio whether consolidated or unconsolidated.

Rent Change (Cash) represents the percentage change in starting rental rates per the lease agreement, on new and renewed leases, commenced during the period compared with the previous ending rental rates in that same space. This measure excludes any short-term leases of less than one-year, holdover payments, free rent periods and introductory (teaser rates) defined as 50% or less of the stabilized rate.

Rent Change (Net Effective) represents the percentage change in net effective rental rates (average rate over the lease term), on new and renewed leases, commenced during the period compared with the previous net effective rental rates in that same space. This measure excludes any short-term leases of less than one year and holdover payments.

Same Store. Our same store metrics are non-GAAP financial measures, which are commonly used in the real estate industry and expected from the financial community, on both a net-effective and cash basis. We evaluate the performance of the operating properties we own and manage using a "same store" analysis because the population of properties in this analysis is consistent from period to period, which allows us to analyze our ongoing business operations.

We define our same store population for the three months ended December 31, 2018 as our owned and managed properties that were in the Operating Portfolio at January 1, 2017 and owned throughout the same three month period in both 2018 and 2017. The same store population excludes non-industrial real estate properties and properties held for sale to third parties, along with development properties that were not stabilized at the beginning of the period (January 1, 2017) and properties acquired or disposed of to third parties during the period. Beginning January 1, 2018, we modified our definition of same store to align on consistent methodologies with members of the industrial REIT group. This did not materially change our historical amounts reported. To derive an appropriate measure of period-to-period operating performance, we remove the effects of foreign currency exchange rate movements by using the reported period end exchange rate to translate from local currency into the U.S. dollar, for both periods. We believe the factors that affect rental revenues, rental recoveries, rental expenses and NOI in the same store portfolio are generally the same as for our consolidated portfolio.

As our same store measures are non-GAAP financial measures, they have certain limitations as analytical tools and may vary among real estate companies. As a result, we provide a reconciliation of rental revenues, rental recoveries and rental expenses from our Consolidated Financial Statements prepared in accordance with GAAP to same store property NOI with explanations of how these metrics are calculated. In addition, we further remove certain noncash items (straight-line rent adjustments and amortization of lease intangibles) included in the financial statements prepared in accordance with GAAP to reflect a cash same store number. To clearly label these metrics, they are categorized as same store portfolio NOI – net effective and same store portfolio NOI – cash.

The following is a reconciliation of our consolidated rental revenues, rental recoveries, rental expenses and property NOI, as included in the Consolidated Statements of Income, to the respective amounts in our same store portfolio analysis*:*

dollars in thousands	Three Months Ended Dec. 31,			
	2018	2017	Change	(%)
Rental revenues:				
Rental revenues	$ 527,574	$ 433,567		
Rental recoveries	151,621	117,081		
Per the Consolidated Statements of Income (a)	679,195	550,648		
Adjustments to derive same store results:				
Properties not included in same store portfolio and other adjustments (a)(b)	(187,095)	(75,250)		
Unconsolidated co-investment ventures (a)	537,126	516,687		
Same Store - rental revenues - net effective	**$ 1,029,226**	**$ 992,085**		**3.7 %**
Straight-line rent adjustments	(9,159)	(12,580)		
Fair value lease adjustments	319	106		
Same Store - rental revenues - cash	**$ 1,020,386**	**$ 979,611**		**4.2 %**
Rental expenses:				
Per the Consolidated Statements of Income (a)	$ 177,593	$ 140,338		
Adjustments to derive same store results:				
Properties not included in same store portfolio and other adjustments (a)(c)	(47,014)	(12,739)		
Unconsolidated co-investment ventures (a)	123,398	118,447		
Same Store - rental expenses - net effective and cash	**$ 253,977**	**$ 246,046**		**3.2 %**
Same Store - NOI - Net Effective	**$ 775,249**	**$ 746,039**		**3.9 %**
Same Store - NOI - Net Effective - Prologis Share (d)	**$ 448,752**	**$ 429,587**		**4.5 %**
Same Store - NOI - Cash	**$ 766,409**	**$ 733,565**		**4.5 %**
Same Store - NOI - Cash - Prologis Share (d)	**$ 443,501**	**$ 424,408**		**4.5 %**

(a) *We include 100% of the same store NOI from the properties in our same store portfolio. During the periods presented, certain properties owned by us were contributed to a co-investment venture and are included in the same store portfolio. Neither our consolidated results nor those of the co-investment ventures, when viewed individually, would be comparable on a same store basis because of the changes in composition of the respective portfolios from period to period (e.g. the results of a contributed property are included in our consolidated results through the contribution date and in the results of the unconsolidated entities subsequent to the contribution date). As a result, only line items labeled "same store portfolio" are comparable period over period.*

(b) *We exclude non-industrial real estate properties and properties held for sale, along with development properties that were not stabilized at the beginning of the reporting period or properties acquired or disposed of to third parties during the period. We also exclude net termination and renegotiation fees to allow us to evaluate the growth or decline in each property's rental revenues without regard to one-time items that are not indicative of the property's recurring operating performance. Net termination and renegotiation fees represent the gross fee negotiated to allow a customer to terminate or renegotiate their lease, offset by the write-off of the asset recorded due to the adjustment to straight-line rents over the lease term.*

(c) *Rental expenses include the direct operating expenses of the property such as property taxes, insurance and utilities. In addition, we include an allocation of the property management expenses for our consolidated properties based on the property management services provided to each property (generally, based on a percentage of revenues). On consolidation, these amounts are eliminated and the actual costs of providing property management services are recognized as part of our consolidated rental expenses. These expenses fluctuate based on the level of properties included in the same store portfolio and any adjustment is included as "effect of changes in foreign currency exchange rates and other" in this table.*

(d) *Same Store- NOI- Prologis Share is calculated using the underlying building information from the Same Store NOI – Net Effective and NOI - Cash calculations and applying our ownership percentage as of September 30, 2018 to the NOI of each building for both periods.*

Weighted Average Stabilized Capitalization ("Cap") Rate is calculated as Stabilized NOI divided by the Acquisition Price.

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